

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 016

June 27, 1958

GROUP INSURANCE: PREMIUMS PAID BY EMPLOYER

Syllabus:

Amounts paid by an employer into a trust fund for the payment of premiums covering group life insurance of the employees are not income to the employees.

Advice is requested as to whether amounts paid by an employer into a trust fund for the payments of premiums covering group life insurance is taxable income to the employees.

Premiums paid by an employer on policies of group life insurance covering the lives of his employees, the beneficiaries of which are designated by the employees, are not income to the employees (PIT Reg. 17101 (e); Fed. Reg. 111, Sec. 29.22-3 (a); O 1014, 2 CB 88; GCM 16069, XV-1 CB 84). The fact that the premiums paid indirectly through a trust fund is not considered to be material and the rule would be equally applicable.

Premiums for health, medical, or hospital insurance paid by employers are likewise treated as nontaxable to the employees. (IT 3738, 1945 CB 90, Bureau Letters 8-26-43 and 10-26-43, 4-3 CCH Par. 6587, 1943 P-H Pars. 66294, 66326).

Though not income to the employees, such payments are deductible by the employer as an ordinary or necessary business expense. (See PIT Reg. 17351 (c); Fed. Reg. 111, Sec. 29.24-3, Bureau Letters, supra).